

Stocks have fared better under Democrats - survey

Wed October 27, 2004 03:28 PM ET

NEW YORK, Oct 27 (Reuters) - Conventional wisdom holds that Republican presidents are good for U.S. stocks and bad for bonds. History suggests otherwise.

Studies released this week show that equity investors have gained more under Democratic presidencies than under Republican administrations. However, returns on bonds have been higher under Republicans, according to one of the reports.

Between 1900 and 2004, the aggregate total return on equities under Democratic presidents was 502 percent compared to 416 percent under Republicans, according to a study by **Andre Ratkai, a professor of finance at the University of Denver.**

A Wayne Hummer Asset Management study of the last 60 years also shows that the stock market has performed better under Democrats than it has under Republicans.

"Despite the pro-business philosophy embraced by Republican presidents, the return was about 20 percent higher under Democratic presidents," Ratkai said in a statement.

But whether a Republican or Democrat is elected, returns likely will be lackluster in the second year of the four-year term, if history is a guide.

Ratkai's study found that cumulative stock market gains were lowest in the second year.

"By that time the political wrangling over policies is often in full swing and the uncertainty gives Wall Street indigestion," Ratkai said.

Returns were highest during the third year, the study found.

While the data suggested that a victory next week for Democratic challenger John Kerry might bode well for the stock market, one study also indicated that Republican President George W. Bush's reelection could boost the bond market.

Between 1945 and 2004, average bond returns under Republicans have been 8.1 percent versus 3 percent under Democrats, Wayne Hummer Asset Management's study reported.

But corporate profits haven't take any sides. U.S. businesses have seen a 6.5 percent to 7 percent growth in profit, regardless of the administration, the study said.

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